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NATIONAL INTELLIGENCE DAILY CABLE

Friday January 21, 1977

CG NIDC 77-016C



**NATIONAL SECURITY INFORMATION**

Unauthorized Disclosure Subject to Criminal Sanctions



DIA and DOS review(s) completed.

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National Intelligence Daily Cable for Friday January 21, 1977.

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[REDACTED] The NID Cable is for the purpose of informing senior US officials.

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## EGYPT: Situation Report

25X1 [ ] Demonstrations in Cairo and Alexandria over drastic price rises announced earlier this week have subsided since Wednesday as a result of the suspension of the price increases, the imposition of a curfew, and the introduction of army troops to control disturbances.

25X1 [ ] Army and commando units were brought into the capital Wednesday and immediately moved into positions in downtown Cairo. //Egypt's director of military intelligence told the defense attache that the situation had deteriorated to the point that police were no longer able to cope with it alone.//

25X1 [ ] Despite the relative quiet since Wednesday, the authorities may find it difficult to maintain order. Although the government's decision to suspend price hikes and the presence of army units has helped to calm the demonstrators, leftist organizers--believed by the US embassy to have led many of the demonstrators earlier this week--may still try to instigate new disorders.

[ ]

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25X1 [ ] The events of the past few days undoubtedly have damaged Sadat's own position. Discontent over economic grievances has been eroding his popularity for some time, particularly during the last year.

25X1 [ ] Prices on non-subsidized goods have consistently risen over the last few years, and salaries have not kept pace. The gap between rich and poor has also widened markedly, as a small but conspicuous group of newly rich who have profited from the economic liberalization program flaunt their high style of living before a middle and lower class with high expectations but a diminished ability to pay for goods and services.

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[ ] //Haphazard and slipshod implementation of economic liberalization policies, moreover, has created serious dislocation. Even if financing were available for the import of large quantities of additional consumer goods, Egypt's inadequate distribution system could not deliver them to markets.//

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[ ] //The regime's chief support, the military, is increasingly feeling the economic pinch itself and complaining about it. Discontent within the armed forces over the decline in Egypt's military capabilities is also a problem of some seriousness.//

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[ ] The government evidently felt confident that it could call in the army to quell the riots without serious risk that it would turn against the regime. The military apparently has remained loyal throughout this week's demonstrations.

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[ ] If widespread violence were to resume, the danger would exist that the military leadership might move against Sadat in the belief that this would be the only way to restore order.

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USSR-SYRIA: Military Aid Cuts

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[ ] //Syria is again [ ] accusing the Soviets of cutting back on military deliveries. The recent Syrian threat to deny facilities at Tartus to Soviet naval ships may have been linked to these charges.//

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[ ] The Soviets may indeed have tightened certain provisions of their military aid contracts with Syria, and they may be withholding delivery of certain weapons. We have no evidence, however, of drastic cutbacks during the past year, although deliveries of aircraft slackened in the second half of the year.

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[ ] Over the past year Soviet-Syrian relations have become increasingly complicated and frustrating for Moscow. In addition to problems over Syria's military intervention in Lebanon, the Soviets have been particularly concerned that the rapprochement between Egypt and Syria would have a harmful effect on Moscow's relations with Damascus.

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[ ] The Soviets have also interpreted Saudi Arabia's increasing influence in both Egypt and Syria as a setback for their own interests in the Middle East. The Soviets' major concern is that Syria may be falling into line with Egypt's view that the US holds the key to a comprehensive settlement in the Middle East.

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[ ] The Syrian threat regarding Tartus may have been President Asad's response to Soviet tampering with the military supply relationship. In any event, Soviet naval movements involving Tartus at present are similar to those before the Syrian evacuation order. Five Soviet ships remain there and a submarine--probably an F-class--arrived on Sunday. Soviet ships that apparently were in the area of Tartus to assist in any evacuation departed late last week.

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[ ] Neither the Soviets nor the Syrians want any further deterioration in their relations. Syria's appetite for weapons remains high and Damascus depends on the USSR as its chief arms supplier. For Moscow, the relationship affords the best prospects of entree to the Mediterranean area, in view of the setbacks to the Soviet position in Egypt and the limits to its ties with Libya. An open break with Damascus would further diminish Soviet prestige in the area as well as limit Soviet influence on the course of peace negotiations.

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#### USSR: Policy Toward US

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[ ] In public and private remarks at Ambassador Toon's presentation of credentials on Tuesday, Soviet President Podgorny said Moscow wants to move ahead in its relations with the US and attaches first priority to early conclusion of a new strategic arms limitation agreement. General Secretary Brezhnev made the same points in a public speech Tuesday in the city of Tula.

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[ ] Podgorny, unlike Brezhnev, did not seek to rebut Western charges that the USSR is striving for strategic superiority, but he described Brezhnev's speech as setting forth the Soviet position on issues that require urgent attention. Podgorny also alluded to Moscow's desire for elimination of legislation that inhibits expansion of US-Soviet trade relations.

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[ ] Brezhnev, for his part, reiterated Moscow's long-standing proposals for a world non-use of force agreement and a comprehensive test ban treaty, but he devoted most of his attention to areas in which the Soviets hope for progress--SALT, mutual force reductions in Europe, the Geneva conference on the Middle East, and making existing nuclear nonproliferation agreements more effective.

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[ ] Brezhnev's speech and the Soviets' handling of Ambassador Toon's presentation of credentials doubtless were both designed to have a favorable impact on the new administration. The Soviets realize it might be several months before Washington is ready to move ahead on these issues, but they are trying to create a positive atmosphere. [ ]

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#### JAPAN: Policy Toward North Korea

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[ ] //The Japanese government is planning to explore the possibility of broader contacts with North Korea. Prime Minister Fukuda evidently believes that the need for such contacts has increased with the change of administrations in Washington and the prospect of adjustments in the US role in Korea.//

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[redacted] Fukuda and other Japanese officials have made it clear that support for South Korea continues to have a higher priority than contacts with the North. In this regard, the Japanese have conveyed South Korea's security concerns to the US and have plainly stated their own reservations about any US decision to reduce its forces in South Korea. The Japanese have also agreed to hold a foreign ministers' meeting with the South Koreans in Tokyo next month and to press for Diet ratification of the Korea-Japan continental shelf agreement.//

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[redacted] //The prospect of changes in the US role in Korea appears to be the major factor behind Japan's current heightened interest in North Korea:

--Tokyo probably believes that, if US forces are withdrawn from Korea, Japan will have an even greater interest in open communications with Pyongyang, where decisions affecting Japan's security may be made.

--The Japanese think that the new US administration might eventually explore the possibility of bilateral talks with Pyongyang, and that they must guard against being left behind.

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--Tactically, Tokyo probably also believes that its open support of South Korea's position on the US troop issue has reassured Seoul, built up Japan's credit in South Korea, and given Tokyo some additional leeway to deal with the North.

--The Japanese may also think that North Korean exposure to the outside world will have some moderating impact on the North.//

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[ ] //Many of these considerations influenced Japan's cautious probes for closer contacts with North Korea in the early 1970s when the US began to draw down its forces in Asia.//

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[ ] //South Korea will be sensitive to any Japanese contacts with North Korea. The South Koreans made their dissatisfaction with Japan's earlier probes toward North Korea abundantly clear. This was particularly the case when the Tanaka government made gestures toward the North between 1972 and 1974. During 1975 and 1976, the Miki government took considerable pains to mend relations with Seoul and Japanese - North Korean contacts stagnated.//

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[ ] //The North Koreans, for their part, will welcome any economic benefits that result from Tokyo's renewed interest. Pyongyang, however, may well have difficulty responding to any Japanese political approaches as long as Tokyo continues to support the US commitment to South Korea.//

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[ ] //Fukuda, therefore, almost certainly will move with great caution; real progress toward normal Japanese - North Korean relations seems unlikely without further movement in the overall pattern of detente in the region. The Prime Minister may try to make Japan's Korean policy more flexible while continuing on the pro - South Korea track he has personally pressed for many years. [ ]

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#### CZECHOSLOVAKIA: Dissidents

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[ ] The regime in Czechoslovakia is increasing pressure on the dissident human rights group known as Charter 77.

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25X1 [ ] A nationwide media campaign now in progress includes articles in the party daily and in provincial papers protesting the existence of the group and the manifesto that announced its formation. Local television is interviewing feature writers, intellectuals, and workers who oppose Charter 77. The attacks frequently charge that the signers of the manifesto do not deserve to live in Czechoslovakia or that they should be punished.

25X1 [ ] The Charter 77 issue is the most direct challenge posed by dissidents since the trials of some 50 known troublemakers in 1971 and 1972. The regime also has brought formal charges against four well-known dissidents for having maintained contacts with "enemy forces and emigre centers abroad."

25X1 [ ] Prague has not mentioned Charter 77 in connection with accusations against the four. In fact, the authorities have reportedly told some of those involved in Charter 77 that signature of its manifesto was not grounds for legal prosecution. Even so, the filing of formal charges against the four will probably be read in intellectual circles as a firm warning to those individuals in the Charter 77 group that they also can be indicted.

25X1 [ ] The US embassy speculates that the case of the four may have been in an investigative phase and was brought to light now to aid in the anti-Charter 77 campaign. The government may believe it has enough evidence to demonstrate convincingly that the four were active in exchanging political tracts and Western publications with dissidents in Czechoslovakia and abroad.

25X1 [ ] Both the regime and the dissidents have the forthcoming Belgrade conference on the Helsinki accords very much in mind. The dissidents obviously see the period between now and the conference in June as their best opportunity to dramatize the case for greater liberalization in all fields. They hope that the increased attention to human rights issues during this period will make it difficult for the regime to deal with them severely.

[ ] The authorities, for their part, probably do not want to embark now on any systematic witch hunt. Any such effort would risk provoking international reaction and would seriously damage any assertion that Prague is complying with the provisions of the Helsinki accords.

[ ] Despite these considerations, the regime may feel that it has no choice but to quiet the most outspoken dissidents--through intimidation and harassment if possible, but through trial and imprisonment if necessary.

[ ] Thus far, no senior government official has commented publicly on Charter 77. Instead, the regime is trying to develop its media campaign to show that Czechoslovak society as a whole opposes dissent along the lines of the Charter 77 group. It is likely to try this approach before adopting any more risky course. [ ]

#### NAMIBIA: Constitutional Talks

[ ] The constitutional conference on independence for Namibia convened a special committee on Tuesday at Windhoek to try to formulate a draft constitution. The conference is in the process of devising a multiracial interim government to oversee the transition of the South African - administered territory to full independence.

[ ] The meeting provoked a protest march by adherents of the South-West Africa Peoples Organization, which has not been invited to participate in the talks. A member of the executive council of SWAPO said that, in the absence of free elections under UN auspices, guerrilla operations from Angola would be intensified.

[ ] //The protest march, staged by the internal wing of SWAPO--which operates legally in Namibia--demonstrates this group's solidarity with the external wing, which is conducting the guerrilla activity.//

[ ] //Some of the participants in the Windhoek conference have hoped--as have interested foreign states--that SWAPO could be drawn into the talks, but since last fall the organization has taken an increasingly stronger line opposing the

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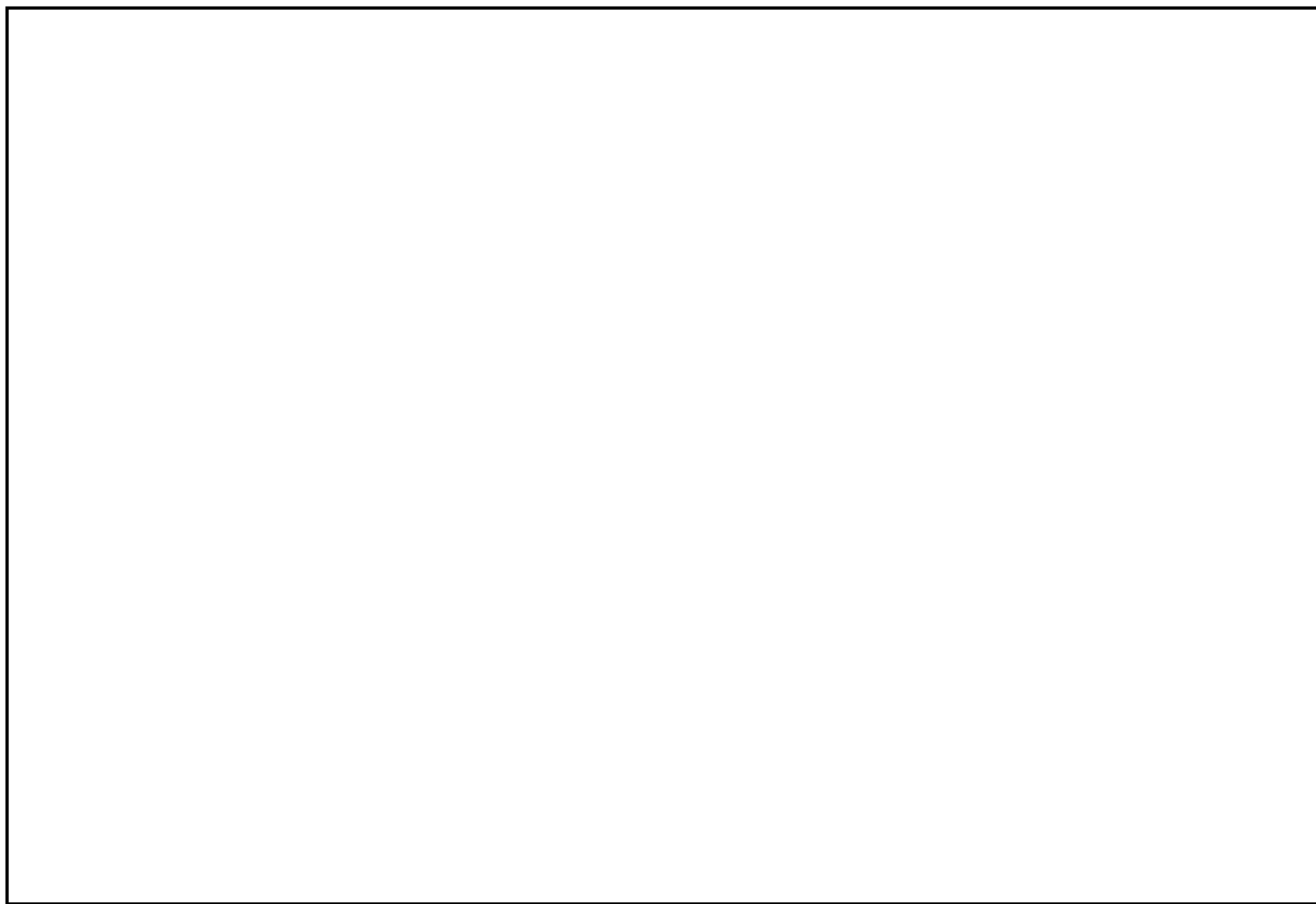
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multiracial conference.// SWAPO undoubtedly will oppose any constitution approved by the Windhoek group. It views the conference as unrepresentative of most Namibians and dominated by South Africa and the conservative white minority in Namibia.

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[redacted] //If the special committee agrees on a draft constitution for an interim government--by no means a certainty given the conference's past history of racial, political, and personality conflicts--then a plenary session of the conference will meet to draw up a resolution that would be presented to the South African parliament for approval. A tentative proposal for the transfer of power of December 31, 1978, has been put forth by the Windhoek conference and tacitly agreed to by South Africa.// [redacted]

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# USSR-INDIA: Podgorny Visit

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[ ] Soviet President Podgorny's reported plan to accept a four-month-old invitation to visit India suggests concern in Moscow about Prime Minister Gandhi's domestic moves to the right. The Soviets may also hope to forestall any Indian move to improve relations with the new governments in Washington and Peking.

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25X1 [ ] Gandhi visited Moscow in June to underline the continuing importance she attaches to maintaining good relations with the USSR. Her subsequent criticism of Congress Party leftists and the pro-Moscow Communist Party of India, however, probably has prompted Moscow--always sensitive to its position in India--to seek reassurance.

25X1 [ ] //The Soviets were not happy with the decision of the Indian Communists to increase their ineffectual criticism of Gandhi and her policies, which Moscow recognized might eventually have an adverse impact on Indo-Soviet relations. In mid-October, the Soviets advised the Indian Communists to avoid frontal attacks on the "firmly anti-American" Gandhi, as such attacks would only drive her to the right.//

25X1 [ ] In setting the stage for Podgorny's visit, the Soviets recently moved to resolve some of the economic issues brought up during Gandhi's visit last summer. The most important Soviet move was a decision to provide India with crude oil, raw materials, and engineering machinery in exchange for Indian surplus pig iron and steel products that India cannot sell on the world market. Under the proposed four-year deal, India would save about \$100 million in foreign exchange annually.

25X1 [ ] Podgorny's trip may take place about the end of February, just before his scheduled trip to Africa. Gandhi's announcement Tuesday that national elections will be held on March 16, however, could affect the timing. [ ]

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VENEZUELA: Status of Oil Deal

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[ ] Officials of Petroven, Venezuela's state-owned petroleum company, appear to be dragging their feet in implementing a controversial petroleum agreement with the USSR signed last November during President Perez' visit to Moscow.

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[ ] Shortly after Perez returned home, Energy and Mines Minister Valentin Hernandez stated that the first shipment to Cuba of some 10,000 barrels per day of Venezuelan light crude would begin in early January. He confirmed that in exchange a like amount of Soviet crude would be loaded for shipment to "a country in Western Europe with which Venezuela has an assured contract." Spain and Portugal are frequently mentioned as likely recipients of the Soviet oil, although Petroven also ships to West Germany and Italy.

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[ ] Hernandez may have spoken too soon, a Petroven official recently told a US embassy officer in Caracas that there is no immediate prospect for petroleum shipments to Cuba. He emphasized that Venezuela merely signed "an agreement in principle" and that discussions have not yet begun on how or when it would be implemented.

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[ ] In an effort to deflect domestic criticism of the agreement, Venezuelan officials emphasize that the deal does not involve turning over a portion of Venezuela's share of the growing West European market to the Soviets. All contracts, they insist, will remain the same with the purchaser paying Venezuela for the oil; the only difference is that the petroleum delivered will not originate in Venezuela but in the USSR.

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[ ] //The recent rise in oil prices and confusion among oil consumers because of the two-tiered pricing system may affect the outcome of the oil deal. Delaying tactics by Petroven officials who are opposed to the agreement for political and commercial reasons suggest that President Perez may find it hard to implement the agreement.//

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